

2020 First Quarter Commentary A Quarter for the History Books

The first quarter of 2020 finished as the worst first quarter in history, with the Dow Jones Industrials **-23%** for the quarter. March set a record for volatility, with the daily average price move of nearly 5%! The Standard and Poor's 500 posted a **-19.5%** total return, and the Russell 2000 declined **-30.9%**.

Most astonishing is that the year began with the economy hitting on all cylinders: record-low unemployment, earnings for the majority of corporations re-accelerating, and the stock market reaching new all-time high levels.

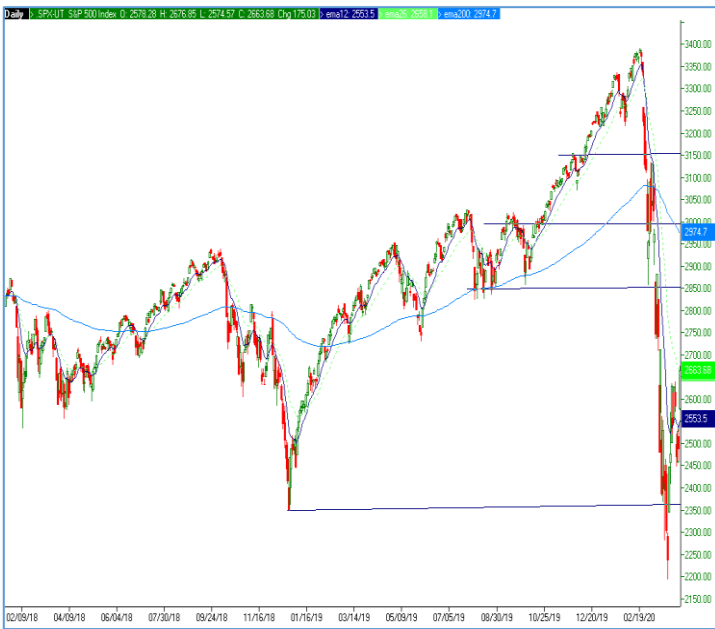
When the reality and severity of the Covid-19 crisis spreading around the globe hit in late February, there was a swift and literal shuttering of the global economy. All financial markets reacted violently, and from their peak to the lows on March 23, the market declined **-34%** in 23 days.

The damage to the domestic economy will be significant and will take some time to rebuild. Cash flow is the lifeblood of small businesses in America, and the majority can survive only a very short time without it. In an attempt to provide much needed aid, the U.S. government brought out the big guns. They stepped in with both a monetary infusion through the Federal Reserve to stabilize credit markets, and a \$2.3 Trillion Dollar Fiscal Aid (CARES Act – **C**oronavirus **A**id, **R**elief, and **E**conomic **S**ecurity Act). There will certainly be more federal assistance coming to our aid, but the effectiveness and timing are still subject to debate.

We have to remind investors that equity markets are forward-looking. Although we bounced 20% in the three trading days following the passage of the CARES Act, market bottoms are almost never a quick “V” bottom. Generally, re-tests of the market lows more closely resemble multiple “W” patterns, and more volatility can be expected. However, the most fearful periods of a bear market decline, traditionally, have proven to be attractive entry points for long-term investors.

We appreciate your continued confidence and trust!

The Brechnitz Group



Source: Thomson One



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The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal.

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